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C O N F I D E N T I A L SECTION 01 OF 02 BELGRADE 000299

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SUBJECT: MONTENEGRO'S OPPOSITION, GOVERNMENT TO BACK EU
PACKAGE FOR REFERENDUM

REF: BELGRADE 237

Classified By: Ambassador Michael Polt, reasons 1.4 (b,d)

¶1. (C) Summary: The Montenegrin Parliament is expected to meet February 28 to adopt the question, date, and rules for the referendum -- the "EU package." The opposition was quicker to support the package than the GoM, which engaged in a last-minute campaign to persuade the EU to lower the threshold from 55 percent of valid votes cast. The EU Council of Ministers will likely reiterate its support for the package at its February 27 meetings. Meanwhile, Podgorica is considering measures that would disrupt State Union governmental structures in the event the referendum results in a yes vote that falls in the "grey zone" of 50-54 percent. End summary.

Opposition Backs EU Proposal

¶2. (U) The small opposition People's Party (NS) was the first to announce its support for the "EU package" (reftel) for the referendum. It was followed by the (even smaller) Democratic Serb Party (DSS) and, on February 22, by the influential Serb People's Party (SNS). The SNS's Andrija Mandic had sat out the discussions with EU Envoy Lajcak over the package. The Socialist People's Party (SNP), which led the pro-Union bloc in the talks, is expected to solidify its commitment to package over the weekend of February 25-26 in talks with its local chapters.

¶3. (SBU) Mandic's re-entry into the game is a disappointment to the pro-Independence bloc, as Mandic had been firm in his statements that the SNS would boycott if the threshold was less than 50 percent of all registered voters. Without the SNS's votes (about 30,000), the pro-Union bloc had no chance of thwarting a "yes" vote for independence in excess of 55 percent of all valid votes (the "EU package"). In a private conversation with acting Principal Officer on February 21, however, Mandic showed less confidence than usual in being able to rally his voters to the position espoused by SNS leadership. Comment: The SNS is heavily reliant on a small leadership core to rally its voters, a reliance that is stressed by a republic-wide campaign. End comment.

Independence Bloc Pushes Counter-Proposal

¶4. (U) Even before the SNS re-entered, the pro-Independence bloc was unhappy with the EU proposal that independence would require 55 percent "yes" votes of all valid votes. They prefer the "Danish model" of 40 percent of all registered voters, even offering to raise the threshold slightly to 41 percent. Forty percent is 186,400 from 466,000 registered voters; 41 percent is 191,000 votes; in the 2001 parliamentary election the pro-Independence parties polled 195,000 votes and in 2002 they garnered over 200,000 votes.

¶15. (U) The GoM has intensively lobbied the EU and member states the past week, trying to lower the proposed 55 percent to 52 or 53 percent. EU Envoy Lajcak has stated publicly that the EU Council of Ministers, which has the Montenegrin referendum on its February 27 agenda, will reiterate its support for the "EU package" that he had tabled. Christina Gallach, spokesperson for EU High Representative Solana, stated February 23 that the package could not be altered. Olli Rehn, the EU Commissioner for Enlargement, concurred even while observing that the EU member states do not have identical views on the proposal. Radio Free Europe also reported Rehn as stating, apparently for the first time, that the EU has a "Plan B" for Montenegrin accession to the EU in case of independence.

The "Grey Zone"

¶16. (U) Between a flat rejection of independence (over 50 percent "no" votes - which is implausible), and clear, legal approval of independence (over 55 percent "yes" votes), lies the "grey zone." The blocs are understandably divided on what entering the "grey zone" means for Montenegro. The pro-Union bloc, arguing from the language of the EU proposal, without reference to anything outside of the proposal, sees a 54.9 percent "yes" vote as being the same as a 49.9 percent vote. Dragan Soc, former leader of the Opposition NS, said a GoM move to declare independence with less than 55 percent of the vote would be tantamount to "a declaration of civil war."

¶17. (U) The pro-Independence bloc counters that refusing to recognize independence for any vote above 50 percent "yes" is

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unjust. Several private-sector EU, SaM, and US experts opined February 20 at a forum in Montenegro that if the "yes" votes fell between 50 percent and 55 percent, the EU could not or would not make an organizational decision to recognize Montenegro, should it declare independence. Instead, the EU would leave the decision up to its individual member states, without guidance from Brussels.

Krivokapic: GoM will Accept 55 (With an Asterisk)

¶18. (C) On February 24, the Ambassador met with Montenegrin Speaker of Parliament Ranko Krivokapic to discuss the referendum. The Speaker said that the Government of Montenegro will accept the EU's proposal for a 55 percent super-majority. If the referendum fails with more than 50 percent of the vote, however, he said that the GOM will take all legal measures it can to cease the State Union's functionality in order to force further international mediation on Montenegro's relationship with Serbia. Krivokapic said his tour of European capitals to drum up support for the GoM counterproposal did make inroads with several influential Members of the European Parliament (MEP) and other European commentators, who voiced objections to a standard for independence in excess of 50 percent of valid votes cast. Ultimately, though, he said the support was more moral than substantial - none of his interlocutors was willing to step away from supporting the EU consensus position. PM Milo Djukanovic and President Filip Vujanovic, meanwhile, publicly stated this week that they can surpass 55 percent of the vote. They caveated, however, that the EU would have the responsibility of resolving any contention resulting from a referendum loss that scored above 50 percent.

No Independence = Bigger Army, Return to Dinar

¶19. (U) The small pro-Union People's Party (NS) and Democratic Serb Party (DSS) have called for a larger military and a

return to the dinar if independence fails. The independent Central Bank of Montenegro (CBCG) strongly criticized the call, calling it "pernicious," leading to a drop in Montenegro's credit rating, the reintroduction of 20 percent inflation (with the Euro, inflation in Montenegro in 2005 was 2.5 percent), and higher transaction costs, even after absorbing significant conversion expenditures. The respected government Montenegrin Investment Promotion Agency (MIPA) adds that foreign direct investment (FDI) would be harmed as well. SNS had earlier called for a reintroduction of the dinar, but the SNP has been silent and is less likely to support the call.

Comment

¶10. (C) The decision by the two sides to accept the EU,s plan sets the stage for the referendum to be held, but may only forestall (and potentially increase the likelihood of) further dysfunction in the State Union resulting from the referendum. Polls currently suggest that a result in the gray zone is the most likely scenario, which will put Podgorica on a course of further "legal" obstruction of the already anemic State Union. Engagement by the EU, supported by us, is important to ensure both sides in Montenegro act responsibly whatever the outcome of the referendum. In the event of a grey zone finish, we should join the EU in convincing Djukanovic not to take rash actions to destabilize the State Union and to instead work to improve relations between the two republics.

POLT